Chapter Five

ORGANIZATION OF THE MARKET

A market may be defined as any place or locality in which persons congregate with the object of buying and selling any kind of article. Marketing system embodies both the assembling and distribution of products. Marketing in fact has been an integral part of production because each agriculturist produced a relatively small and varying quantity of farm product in different seasons, and goods had to be marketed at strategic points.\(^1\) The movement of the produce from the field to the consumer in adequate quantities and of appropriate qualities at minimum incidental costs and at a reasonable margin of profit to the trader presupposes the existence of an efficient marketing system. The final disposal of agricultural produce involves the activities of the primary producer, small and big traders and finally consumers at different points of time and place. Market conditions in the Punjab during the early twentieth century continued to be influenced by sub-regional and seasonal variations in the production cycle. These uncertainties prevented the growth of a uniform or centrally controlled market in colonial India. A large variety of agricultural produce was thus handled in practically every market in the province and it was rare to find a market in which only one type of produce was traded.

There was a three tier marketing hierarchy in colonial India: the rural periodical markets, the market towns, and the commercial and financial centres, which were linked

with great port cities. There was a clear distinction in the three levels in terms of transport systems, credit structure, market personnel and organization. The economists have generally divided markets into three classes: primary, secondary and terminal. Broadly speaking, a primary market was one where producers disposed of their goods to final consumers; a secondary market had more buyers and bought from primary markets; goods from these markets were sent to terminal markets from where they reached the consumer and were also exported. On the ground, however, a clear distinction was not possible as the different categories of markets overlapped in the Punjab. Amritsar, for example, had all three kinds of markets. It derived its supplies from Batala, Tarn Taran, Ajnala and some markets of the canal colonies and dispatched wheat to Karachi, acting as a secondary market. It also disposed some arrivals to mills and customers within the town, thus representing a terminal market, and it was no exception.

The development of lorry traffic in the 1920s encouraged the places of lorry haltage to become centres of primary markets. The business in these was generally without the intervention of the intermediaries. The transactions were in cash with a few occurrences also of exchange in kind. The produce was generally brought to these markets

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4 Ibid., 108-09. Monga on the Lahore-Multan road and Bucheke on the Lahore-Lyallpur road were two examples of such centres.
by the cultivators, landlords and village merchants. Certain livestock fairs, which became very popular in the central Punjab, were also visited by sellers, buyers and brokers of foodgrains. These markets were linked with the secondary markets or mandis. A mandi was 'a set of shops built around three or four sides of a rectangle, a wide brick pavement being provided for loading, examining, clearing, weighing and bagging of the grain'.

The produce traded in the country fairs and seasonal markets is reported to be one-third more than that handled by the mandi based bazaar. The secondary markets were fed by primary markets which were connected with the mandis by kacha roads on which peasants and peddlers took their produce on bullock-drawn carts and pack animals to sell through commission agents based in market towns. These towns acted as assembling points and provided storage and financial facilities. By and large all small towns served as assembling points, but the ones situated at railheads or on arterial roads grew to be mandis. They were the permanent points for daily transaction of wholesale distribution. Here primary produce was assembled for dispatch to the main exporting

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5 Cultivators in certain tracts in the Punjab did the subsidiary business of buying livestock from surplus producing areas and selling them in deficient areas. They also visited the nearest fairs for purchasing draught and milch cattle for their needs. *Department of Agriculture, Report of the Marketing Sub-Committee (No. V) on Agriculture, Forestry and Fisheries of the Reconstruction Committee Council*, n.p., n.d. (cited hereafter as *Report of the Marketing Sub-Committee*), 5-7.


centres. The Punjab had 157 wholesale markets at the end of our period.\textsuperscript{8} Such markets served villages within a radius of thirty-five miles, whereas forty-four per cent of the produce was brought from a radius of ten miles. In the canal colonies the \textit{mandis} served a radius of fifteen to twenty miles.\textsuperscript{9}

The layout of these \textit{mandis} varied considerably. In the central and sub-montane markets shops were scattered all over the town and situated on both sides of the road. In some others like Khanna and Jalalabad, the roadside in front of the artia’s shop served as a \textit{mandi}. In the northern Punjab markets the artia’s shop generally had a covered gateway leading into a courtyard surrounded by verandahs and double-storeyed rooms.\textsuperscript{10} The \textit{mandi} compounds were usually spacious, and these could be rectangular, square or triangular in shape. Toba Tek Singh had a square \textit{mandi} whereas Hisar had a triangular one. The Abohar market with an area of 1150×750 ft. was the most spacious.\textsuperscript{11} The \textit{mandi} floors could be partly brick-lined or \textit{pacca}. The \textit{kacha} floors in some eastern Punjab markets increased the presence of dirt and dust. Here loose

\textsuperscript{8} \textit{Report of the Marketing Sub-Committee,} 8.

\textsuperscript{9} \textit{Report on the Marketing of Wheat in the Punjab,} 113-14. See also, B.B.Mukherjee, \textit{Agricultural Marketing in India,} 34.

\textsuperscript{10} These verandahs were utilized for stacking bags of grain; one room in the lower storey served as an office; and the top storey was used for residential purposes. \textit{Report on the Marketing of Wheat in the Punjab,} 109; \textit{Agricultural Marketing and Working of Market Committees in the Punjab,} Publication No. 12, 1957, 1-2

\textsuperscript{11} The width of the pavement of the Abohar market varied from 30 to 50 ft. In front of the pavement there was a \textit{pacca} road which enclosed a \textit{kacha} quadrangle that was used for parking purposes. \textit{Report on the Marketing of Wheat in the Punjab,} 110.
particles entered the produce and depreciated its value. Some markets in the sub-montane region had *pacca* floors. However, in most of the eastern and central Punjab markets the floors were only partly *pacca* with implications for the level of dirt.\(^\text{12}\) The process of concentration was completed in the *mandis* and from here the process of dispersion began for domestic consumption as well as export.

The term ‘terminal market’ was often associated with a port market in which produce was either disposed of to direct consumers or processors or was assembled for shipment to foreign destinations. Karachi was an important terminal market for the Punjab wheat.\(^\text{13}\) The area served by these markets was generally very extensive. For example, the wheat was railed from canal colonies in the Punjab to Calcutta covering a distance of more than a thousand miles.\(^\text{14}\)

Under the colonial rule the regulated markets came into existence to facilitate the export of agricultural produce to the United Kingdom.\(^\text{15}\) The origin of regulated markets in India dates back to 1897 when the Berar Act was passed.\(^\text{16}\) In 1928 the Royal


\(^{13}\) Bombay and Calcutta were also substantial terminal markets of wheat. Large quantities of wheat which were processed or consumed locally or assembled for foreign export were from these markets. *Report on the Marketing of Wheat in the Punjab*, 112.

\(^{14}\) *Report of the Marketing Sub-Committee*, 9.

\(^{15}\) *Report on the Marketing of Rice in India*, 188.

\(^{16}\) The Berar Cotton and Grains Market Law, 1897 was the first statute regarding regulation of agricultural markets in India and subsequent Market Acts, wherever passed, were based on the principles embodied in it. After the Act of 1897, a
Commission on Agriculture made recommendations for the functioning and constitution of regulated markets. In the Punjab thirty markets were regulated under the Punjab Agricultural Produce Markets Act, 1939. It declared market notified areas and set up committees and fixed market charges in addition to licensing market functionaries. These regulated markets attempted to protect the cultivator or seller from unauthorized deductions, false weighments, and to secure arbitration in cases of dispute between the seller and the buyer. Market committees having representatives of growers, traders and local bodies were established. The transactions in these markets were to be conducted under the rules framed by the committees. The disputes were to be submitted to the arbitration of a sub-committee. The administration of these regulated markets was under the local revenue officials. By 1944 there were 130 regulated markets in the Punjab covering eighty per cent of the mandis. The most important such markets in terms of number of Acts, Rules, Laws and By-laws were passed and many committees and commissions were appointed, facilitating and promoting growth of regulated markets all over the country. Sukhbir Singh, ‘Regulated Marketing of Agricultural Produce in the Punjab (1966-89)’, M.Phil Dissertation, GNDU, Amritsar, 1990, 3.

The Commission laid emphasis on the application of the scheme of regulation of all agricultural commodities; the establishment of market committees everywhere; the grant of loans by the provincial government to market committees for meeting expenses on land and building; the provision of machinery for settlement of disputes; the pre-emption of brokers from acting for both buyers and sellers; adequate facilities in the market yard and standardization of weights and measures. Sukhbir Singh, ‘Regulated Marketing of Agricultural Produce in the Punjab (1966-89)’, 3.


K.R. Kulkarni, Agricultural Marketing in India, 238.
wheat trade were the colony markets. Very little, however, was done by way of regulating marketing practices and charges.

II

There were different agencies of marketing. The movement of the produce to the ultimate consumer had two main phases: accumulation and distribution. The movement of agricultural products from growers involved three distinct processes known as concentration, equalization, and dispersion. The concentration process began with the collection of produce in small quantities. At the second or equalization stage, the available surplus of diverse nature was collected and adjusted to the demand when goods reached the wholesale market. At the third stage the goods moved from the wholesale

Against the total estimated arrivals of 29,074,300 maunds of wheat in 1944 the arrival in some of the top regulated markets was as under:

Table 5.1: Estimated arrivals of wheat in some markets in 1944.

<table>
<thead>
<tr>
<th>Market</th>
<th>Estimated Arrival (maunds)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phullarwan</td>
<td>18,75,000</td>
<td>6.45</td>
</tr>
<tr>
<td>Lyallpur</td>
<td>18,16,000</td>
<td>6.25</td>
</tr>
<tr>
<td>Fazilka</td>
<td>17,50,000</td>
<td>6.02</td>
</tr>
<tr>
<td>Moga</td>
<td>15,10,000</td>
<td>5.19</td>
</tr>
<tr>
<td>Vihari</td>
<td>10,54,000</td>
<td>3.63</td>
</tr>
<tr>
<td>Sargodha</td>
<td>1,00,000</td>
<td>0.34</td>
</tr>
<tr>
<td>Jaranwala</td>
<td>9,49,000</td>
<td>3.26</td>
</tr>
<tr>
<td>Ludhiana</td>
<td>8,82,000</td>
<td>3.03</td>
</tr>
<tr>
<td>Gojra</td>
<td>8,62,000</td>
<td>2.96</td>
</tr>
<tr>
<td>Okara</td>
<td>8,40,000</td>
<td>0.00</td>
</tr>
<tr>
<td>Khanewal</td>
<td>8,29,000</td>
<td>2.85</td>
</tr>
<tr>
<td>Montgomery</td>
<td>7,50,000</td>
<td>2.58</td>
</tr>
</tbody>
</table>

Source: Supplement to Marketing of Wheat, 33.

markets to manufacturing or processing plants of small or big consumers.  

The human agency in the marketing process varied according to the levels of markets. The market functionaries in the primary markets were the village merchants and itinerant dealers besides the producers themselves; in the secondary markets they were the artias; and in the terminal markets they were the exporters and shippers. All of these functionaries acted as both assembling and distribution agencies, handling produce, negotiating business and earning profit. 

At annexation, cultivators and landlords sold their produce largely in the villages or the nearby mandis. By the turn of the century, they had begun bringing their produce directly to the markets for sale, thus participating in assembling and distribution simultaneously. With the improvement in the rail and road network the direct sales appear to have been further facilitated. For example, in 1930, in the Ferozepur, Lyallpur and Attock districts respectively seventy-seven, seventy-five and sixty-six per cent of the total quantity sold was handled by cultivators. In the first two districts three-fourths of the produce was marketed directly whereas in the Attock district it was one-third. The proportion was roughly the same in the areas similar in climate and social geography (Table 5.2).

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23 When a wheat grower took his produce to the market, he was confronted by a host of agents, the *artia* and his tout, the *dalal*, the weighman and a horde of others who regarded themselves as entitled to a share of the produce. Report on the Recognition of Associations in Respect of Forward Contracts in Wheat, Delhi, 1958, 9. See also Report on the Marketing of Rice in India, 194.
The more enterprising among the cultivators also collected produce from growers and landlords who had collected it from their tenants. The trading cultivators helped in assembling the produce and also sold wheat to the village artisans who did not produce wheat but procured it locally, thus aiding distribution. In the eastern and western Punjab the sale by villagers to shopkeepers was more common. This situation enabled the former to visit the market frequently, and thus become well versed with the market practices.24

Then there were the itinerant dealers and petty traders who moved from village to village, collecting the produce. They used their own conveyance or hired it.25 These dealers made their purchases through brokers locally known as dharwai. In some markets of the central Punjab the monopoly of acting as a broker was held to auction every year. These dealers and merchants were often financed by the artias. During our period about four to eight per cent of the producers sold their produce to such dealers in the Lyallpur and Amritsar districts.26 In 1920-30 nearly one-third of the agricultural surplus was marketed by the village shopkeepers most of whom also were important agencies for advancing loans. These shopkeepers took produce in lieu of repayment of

25 This included kumhars, telis and agents of dealers from the market. The kumhars used their donkeys while the telis used their bullocks. The kumhars commonly carried on trade in Amritsar, Gujranwala, Ferozepur and Ludhiana, while the telis were active in Gurdaspur and Sialkot districts. Report on Marketing of Wheat in the Punjab, 97.
26 Agricultural Marketing and Working of Market Committees in the Punjab, 10.
loan and interest.\textsuperscript{27}

The \textit{artia} was at the apex of the marketing structure and his functions included assembling, finance, storage, transportation and distribution. He played an important role in moving goods from producers to exporting or consuming centres and in arranging for storage of goods so that there would be a gradual adjustment of demand and supply. \textit{Artias} could be either \textit{kacha}, \textit{pacca} or \textit{kacha-pacca}.\textsuperscript{28} The remuneration received by the \textit{artias} was called \textit{arat} which could be paid either by the buyer or the seller. \textit{Arat} often included brokerage, \textit{chungi} and weighment charges called \textit{dami}. The available information points to a wide range of local variations.\textsuperscript{29}

The \textit{kacha artia} was a man of moderate means and his activity was confined to

\begin{itemize}
\item \textsuperscript{27} Report on the Marketing of Wheat in the Punjab, 97.
\item \textsuperscript{28} Royal Commission on Agriculture in India, Volume VIII, Evidence taken in the Punjab, Calcutta, 1927, 383, 388. Also see, Report on the Recognition of Associations in Respect of Forward Contracts in Wheat, 9; B.B. Mukherjee, Agricultural Marketing in India, 23, 112.
\item \textsuperscript{29} In Abohar and Burewala \textit{arat} included brokerage, in Karnal it included \textit{teh bazaari}, and in Moga it included \textit{chungi} that was repaid to the buyer. In \textit{mandi} Dabwali out of \textit{dami} of Re. 1-14-0 per hundred rupees levied on the buyer, Re. 0-2-8 was paid as weighment charge, Re. 0-3-8 as \textit{chungi}, Re. 0-1-6 as rebate and Re. 0-1-0 as charity. In the sub-montane region \textit{artia} derived his remuneration partly from the buyer and partly from the seller. In the canal colony markets the term \textit{dami} was used differently. The buyer got an extra allowance and against this he made a small payment to the \textit{artias} who shared the benefit of the allowance. L.R. Dawar, Market Practices in the Punjab, 54; Report on the Marketing of Wheat in the Punjab, 124. For further details on market charges levied on the seller and buyer see, Appendix H.
\end{itemize}
the local market. He stood at the point of assembling produce of diverse grades and arranged for a change of ownership, thus facilitating collection and acting as an intermediary between the primary buyer and seller. He acted on behalf of the seller and arranged for the marketing operations. His interest was in securing the best price, checking against wrong weighment and undue allowances. In mandis, the wheat was sold through him. Though his main function was assembling, he served as a link in the chain of distribution as well. For example, if at the end of a season, the village stocks were depleted, he helped villagers to procure grain thus acting as an intermediary between the stockist and the buyer. The commission for the kacha artia was generally one rupee per hundred rupees worth of goods.

The pacca artia was the big commission agent who was mainly concerned with the purchase of commodities on behalf of the outstation clients and arranged for bagging and dispatch of goods to buyers. He was the link with outside markets and it was through him that the export of wheat took place and reached the world markets. He usually represented the buyers who were from towns and cities and made his purchases through kacha artias but was responsible for payment of such purchases. The remuneration of the pacca artia varied from eight annas to one rupee per hundred rupees worth of the produce.

32 Report on the Marketing of Wheat in the Punjab, 103-04, 214. See also L.R.
In the Punjab wheat market there was a third category known as *kacha-pacca artias*. They worked for both buyers and sellers. Their knowledge of market conditions and the quality of grain made them indispensable. Every *artia* had his own method of making purchases. Quite often the *artia* wrote down his offer on a piece of paper and took the offers of the bidders before he opened his slip. He indicated his offer to the *dalal* and ranged himself as a buyer among others. After the buyers had made their offers and could bid no higher, the *artia* shouted out his own offer. In these dealings the same man was the principal and he charged a commission on his own purchase.

An inquiry conducted in fifty-two markets in 1937, showed the number of *artias* of all descriptions operating to be 2,081. This works out to an average of forty *artias* per market. It is significant that the number of *artias* in the Amritsar, Jullundur, Lyallpur and Okara markets was respectively 159, 45, 97 and hundred. These figures show that the *artia* at Amritsar had a greater capacity to purchase wheat and this gave him a position of greater dominance. Besides, both Lyallpur and Okara had commission shops


36 Table 5.3: Number of *artias* in four grain centres of the Punjab in 1937.

<table>
<thead>
<tr>
<th>Market</th>
<th>Kacha</th>
<th>Kacha-Pacca</th>
<th>Pacca</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amritsar</td>
<td>36</td>
<td>6</td>
<td>117</td>
<td>159</td>
</tr>
<tr>
<td>Jullundur</td>
<td>20</td>
<td>25</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Lyallpur</td>
<td>45</td>
<td>34</td>
<td>15</td>
<td>97</td>
</tr>
<tr>
<td>Okara</td>
<td>65</td>
<td>15</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

which could have accounted for a smaller number of artias. Amritsar on the other hand was a trading centre and was the route for exports to other parts of India. It was also the centre of ‘futures’ trading in wheat. It catered to the whole north-western region, while the other grain markets were sub-regional centres.

The dalal or the broker was a middleman whose main function was to bring buyers and sellers together. The dalal generally was a man of modest means and did not own a shop, nor did he have capital investment. He functioned as an expert for buying on behalf of the pacca artia or a particular client. He was a shrewd judge of quality, variety, colour, moisture content and extent of extraneous, matter and was well versed with the trend of demand and supply.

In some markets the dalal simultaneously acted for both buyer and seller and this fastened his natural predilection in favour of the buyer on whom he was largely dependent for a successful season’s trade as against the seller whom he saw very occasionally. The dalals functioned in all the markets of the Punjab except Ludhiana, Gurdaspur, Jakhal and Gujar Khan as the transactions in these markets were settled by auction. The

37 The Bombay Act [Rule 2(4)] defined the broker as ‘an agent habitually employed on commission to make the contracts for the purchase of which he does not advance money or with the possession of documents of title to which he is not entrusted’. L.R. Dawar, Market Practices in the Punjab, 5-6.


39 Royal Commission on Agriculture Punjab 1927, 395.

remuneration received by a dalal was known as dalali and it could be paid in three ways: by the seller, by the buyer, and both by the buyer and the seller either in cash or in kind. For example, the payment was made wholly by the seller in Gojra, Abohar, Multan, Fazilka, Jullundur and Hoshiarpur districts. In Okara and Mian Chanun the dalali was paid by the buyer. In the colony markets it was paid partly by the buyer and partly by the seller, while in Jaranwala, Sheikhpura and Ambala city it was paid partly by the buyer and partly by the artia. The dalali payable by the seller in kind was 1.5 chhatak per maund, and in cash on an average it was generally Re. 0-2-6 per hundred rupees, though it varied considerably. It was around Re. 0-1-3 at Gojra and Montgomery, Re. 0-5-0 per hundred rupees at Multan and Sialkot, while the highest at the rate of Re. 0-10-0 per hundred rupees was at Leiah and the lowest at the rate of Re. 0-0-6 was at Kurukshetra.41

When the agriculturists themselves managed to take their produce to the market they had to bear deductions on account of prices, refractions and weighing. In case of wheat booked from Lyallpur to Karachi the share of the cultivator amounted to sixty-three per cent in the price paid to the consumer, while it was about fifty-nine, fifty-seven and fifty-three per cent of the price in the case of wheat dispatched directly to Bombay, Calcutta and Liverpool respectively. In other words, a cultivator in Lyallpur received about Re. 0-12-9, Re. 0-10-0, Re. 0-9-6 and Re. 0-8-6 out of each rupee paid by a

41 Agricultural Marketing and Working of Market Committees in the Punjab, 15. See also L.R. Dawar, Market Practices in the Punjab, 55; Report on the Marketing of Wheat in the Punjab, 125. For further detail on market charges see Appendix H.
consumer at Karachi, Bombay, Calcutta and Liverpool.  

Collective sales through marketing cooperatives could be one remedy for the hapless producers. The movement to set up cooperative commission shops or sale societies began in 1912, and the first shop at Lyallpur was registered in 1919. There were four shops in 1923, thirteen in 1926, out of which seven shops were in the Chenab Colony alone, and their number rose to twenty-one in 1935-36. Most of these shops were in the canal colonies. The functions of these shops were similar to the functions of a kacha artia. However, the cooperative shops were confined to large mandis. These shops had been set up to check indebtedness and other ramifications of the increased export trade. But the cooperative movement remained weak, because the farmers in the far flung areas were ignorant of the existence of the commission shops. Moreover, they could not get loans in advance and hence, continued to take loans from artias against the harvests. The cooperative commission shops proved to be a failure also because of faulty

42 PLAD 1941, Volume XVII, 626-27.


organization, ignorance of business practices and general inefficiency. As a result, by the end of our period, only two shops were left trading on cooperative principles, namely the commission shop at Lyallpur and Okara Zamindars Cooperative Society.45

Most of the wheat export took place mainly through a few firms of international repute. Some of the leading firms were Forbes and Forbes, Volkhart Brothers, Ralli Brothers, Dreyfus and Co.and Strauss and Co. 46 Agencies and sub-agencies were made and business was conducted through them. Some purchases were made by the guarantee brokers who contracted with a local merchant for clearing of grain at Karachi within a specified time for which they got ninety per cent of the payment in advance. On arrival at Karachi the grain was inspected and weighed by the exporting firm whose decision was subject to appeal to the Karachi Chamber of Commerce. After the slump in 1930-31 the export trade began to be regulated mostly by the terms of the contract between the suppliers and the exporting firms which came to be known as the ‘Karachi Pass’.47 The exports however fluctuated violently on account of international conditions.

The grain trade associations known as satta companies operated produce exchanges for speculative purposes at the ports and in larger markets. ‘Futures’ trade in

45 I.D. Mahendru, Some Factors Affecting the Price of Wheat in the Punjab, 36.
47 Report on the Marketing of Wheat in the Punjab, 39, 215. For further detail see Appendix G.
India developed during World War I when trade was disrupted and a wave of speculation set in. The main function of these associations was to regulate the trade commitments made for the future, and serve as clearing houses for adjustment of claims and liabilities of its members arising from speculation or advance commitments. Such an association had to be broad based to bring about inter-trading among other associations. Wheat trading was thus continuous for twelve months, the basis of ‘futures’ contract being white wheat. Speculative business in the 1930s was in an unorganized state and trading was done in bichaks in which the unit of sale was a kotha full of wheat weighing from nine to ten thousand maunds. For greater part of British rule Amritsar remained the centre of such an activity. After the establishment of telegraphic link between the UK and Karachi in 1862 this speculative activity received impetus. Besides Amritsar, the important ‘futures’ trading centres were Lyallpur, Moga, Ludhiana, Jullundur, Fazilka, Dhuri, Barnala and Bhatinda. In 1941 the government imposed an all India control on

48 Report of the Marketing Sub-Committee, 58.
49 These kothas were filled by the end of the month of har (June-July). The sale and purchase of such a kotha recorded on paper was called bichak. Report on the Marketing of Wheat in the Punjab, 226.
50 Amritsar was the first to have fixed ‘futures’ trade worked on speculation properly organized since 1925. Only registered members could deal in it. Pacca artias dealing in it worked for in and out station orders through their dalals. Big speculators controlled the speculation market by manda and tezi as their tools, and turned its activities as they desired by buying the major parts of wheat in the market. The hoarder was known as storia. Anand Gauba, Amritsar: A Study in Urban History (1840-1947), Abs, Jalandhar (cited hereafter as Amritsar), 1988,50.
prices, and in 1942, to obviate hoarding the ‘futures’ contracts in wheat came to be banned under the Foodgrain (Futures and Options Prohibition) Order, 1942.  

Most of the wheat was hauled to the local market in bullock carts. On reaching the mandi the carts were unloaded, bags were opened and a dheri or heap was made on the pavement in front of the shop of the artia by mandi labourers known as palledars. They assisted in weighing, cleaning and dressing the produce. Generally the mandis had from about five to twenty palledars. These palledars were not the employees of the artia. The remuneration received by them was called palledari and could be paid in cash or kind by the buyer or the seller.  

The miscellaneous handling charges payable by the seller were upto the weighment; cumulatively these charges varied from Re. 0-2-6 at Giddarbaha mandi to Re. 1-2-0 per hundred rupees at Tandlianwala. After the weighment till the goods reached the godown the handling charges included wages, cost of twine, cartage, loading and unloading. These charges ranged from Re. 0-5-9 at Malaut to Re. 0-13-9 per hundred rupees at Rawalpindi.

The professional weighman was called the tola who received the remuneration called tolai for weighing the produce. This charge was levied in the colony markets and the markets of the sub-montane region. It was usually paid in cash and could be paid either by the buyer or seller. In cases where weighing was done by the employee of the artia and


52 Agricultural Marketing and Working of Market Committees in the Punjab, 12.

the charges included commission it was borne by the artia. The most prevalent rate was Re. 0-3-6 per hundred rupees, while it ranged from Re. 0-3-1 per hundred rupees at Rewari to Re. 0-8-0 per hundred rupees at Multan.54

Besides these, there were a host of lesser functionaries who were paid remuneration in kind that was charged from the seller.55 The charges payable by the seller and the buyer varied locally, but the charges paid by the seller were much higher than those paid by the buyer. This was as true of the canal colonies as elsewhere (Table 5.4). In 1941 assembling charges in Lyallpur mandi were 7.5 pies per maund which included weighing, filling, commission and brokerage as well as other miscellaneous expenses.56 By 1945 the market charges in the colony markets had increased by four annas on an average, with the minimum increase of Re. 0-0-8 per hundred rupees in Okara and the maximum increase of Re. 1-0-6 per hundred rupees in Khanewal. This increase could be because of an increase in the commission and brokerage rates. At the same time, a decline in the charges in non-colony markets of about Re. 0-10-9 was registered, with the minimum charges in Budhlada and maximum in Ludhiana. This

54 In Nakodar, Nur Mahal and Kurukshetra tokai was paid in kind. In Rawalpindi, Montgomery, Abohar, Fazilka, and Gujar Khan it was met by the buyer. In Leah it was included in the commission paid by the seller. In Jaranwala, Okara, Amritsar, Gurdaspur, Ambala City, Ambala Cantonment, Rohtak and Ludhiana it was met by the artia. L.R. Dawar Market Practices in the Punjab, 55. For further information see Appendix H.


56 PLAD, 1941, Volume XVII, 627.
decline could have been an outcome of reduction in octroi and vehicle taxes.\textsuperscript{57}

### III

Market practices varied from place to place and had acquired recognition by long usage and tradition.\textsuperscript{58} About one-third of the produce sold went to the \textit{mahajan} who had advanced loans on the pledge of the crop. The \textit{mahajan} paid the market rate but he made deductions for his expenses.\textsuperscript{59} Before the seller entered the market he had to pay various taxes like the octroi, sales tax and municipal tax.\textsuperscript{60} Some markets had market committees but there was no authority to safeguard the interests of the sellers.\textsuperscript{61}

There was no uniformity in the hours of business. Sellers sometimes reached the market before business started to accomplish cleaning, sieving, etc. Sellers from distant places reached one night earlier. The hours of business in Ferozepur began at 7 a.m., in Lyallpur at 10 a.m., in Chak Jhumra trading began in the early afternoon, and in Montgomery the business commenced in the late afternoon. The timings of winter and summer also varied.\textsuperscript{62}

\textsuperscript{57} Supplement to Marketing of Wheat,, 34-35. For details see Appendix I.
\textsuperscript{58} Report on the Marketing of Rice in India, 191.
\textsuperscript{59} B.B. Mukherjee, Agricultural Marketing in India, 57.
\textsuperscript{60} Report on the Marketing of Wheat in the Punjab, 116.
\textsuperscript{61} L.R. Dawar, Market Practices in the Punjab, 89.
\textsuperscript{62} Ibid., 32. See also, Report on the Marketing of Wheat in the Punjab, 116-17.
The methods of sale too varied. Prior to sale the wheat was usually unloaded and heaped on the pavement in front of the artia’s shop. The buyers encircled the dheri for which they bid. The seller was represented by the kacha artia or the broker employed by the artia. Price was usually negotiated by auction with repeated bids. The bargain was settled in favour of the highest bidder. The sales were conducted by three methods: i) the hath system, ii) auction, and iii) dara sales.

The sales under cover, locally known as hath, were by secret bidding. The grain was heaped on the ground or kept in open bags. The dalals came and asked the buyer their rates. The buyer answered secretly by means of finger manipulations. The buyer indicated the price that he was prepared to pay by clasping the hand of the artia under cover of the cloth. Each seller in turn took the right hand of the buyer and conveyed his bid. The first clasp usually indicated rupees, the others annas and pies. The value of each finger depended upon the ruling rate of the commodity. If the rate was below four rupees each finger denoted a rupee. If it was more than ten rupees the value of the fingers rose. When the bargain was struck the dalal struck the hand of the artia and

63 The explanation that follows is based largely on the works like Agricultural Marketing and Working of the Market Committees in the Punjab, 12; Report on the Marketing of Wheat in the Punjab, 118; B.B. Mukherjee, Agricultural Marketing in India, 92.

64 For example, if the ruling rate of a particular commodity was eight rupees per maund on a particular day and an offer of nine rupees was to be conveyed the transaction would be complete in two successive clasps. In the first each finger would represent two rupees and in the second one rupee. L.R. Dawar, Market Practices in the Punjab, 27. See also Report on the Marketing of Rice in India, 192.
the cloth was removed. Usually one bid was allowed and when all bids had been made the name of the highest bidder was declared openly. Sometimes repeated bids were made but that resulted in wastage of time.65

At places, the artia auctioned the produce at a particular time of the day when all intending buyers or their agents assembled near the produce. The prospective buyers collected around the heap and declared their offers to the auctioneer. He kept on shouting the latest bid and inviting higher offers till he was satisfied that no more bids were forthcoming. Then the auctioneer asked for the owner’s consent and when this was given he wound up the transactions by shouting ‘ek-do-teen ho gaya’. This system was prevalent in Jakhal, Ambala Cantonment and Gujar Khan. By the 1930s it started gaining currency and as a result, the dalal’s importance declined. The open bid system was known as private treaty also. In this the rate was settled openly and there was no shouting of rates. The buyers individually or collectively went to the artia’s shop and gave their offer. The offer closed when a suitable buyer was found. This practice was prevalent in the Rohtak and Ludhiana districts.66

65 The repeated bid system was prevalent in the markets of Phullarwan, Jaranwala, Sangla, Sheikhupura, Okara, Amritsar, Multan, Gurdaspur, Abohar, Fazilka, Ambala City, Jullundur and Hoshiarpur, while the single bid system prevailed in the Sargodha, Lyallpur and Gojra markets. Report on the Marketing of Rice in India, 193.

The dara sales involved lumping of a number of varying qualities belonging to various parties, and disposing them at a flat rate. All the heaps were simultaneously auctioned. This was a common practice and it secured many advantages for the buyers and sellers. It was a time-saving device as separate heaps did not have to be examined. The small quantities were difficult to market but with the dara sales it became easier. In this system good quality crops were sold with inferior quality and the artia derived larger profits.

For a comparison between different methods an inquiry was conducted in the 1930s in sixty-two markets of the Punjab and it revealed that over sixty per cent of the sales were transacted under cover, twenty-six per cent by auction and sixteen per cent by open bid system. The remaining eight per cent were different sales for different commodities.

To ascertain the binding power of the bids an investigation was conducted by the Board of Economic Inquiry. It showed four types of transactions:

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68 Suppose there were two heaps of different quality of fifty maunds and twenty maunds sold at three rupees per maund, and suppose the twenty maunds heap was better, the artias may give Rs 2-14-0 per maund for inferior and Rs 3-2-0 for superior grain. It might look fair but actually he paid only Rs 206-4-0 though he got Rs 210/- . He thus made Rs 3-12-0 per maund for himself. Report on the Marketing of Wheat in the Punjab, 120.

i) *Kacha* transactions that could be broken by either buyer or seller. This was prevalent in Rohtak.

ii) *Pacca* transactions that could not be broken by the sellers, but the buyers could cancel these. This was prevalent in Fazilka.

iii) In the third type the seller was committed but the buyer could claim allowance for the inferior quality at the bottom. If the seller refused the transaction stood cancelled. This was prevalent in the markets of the canal colonies, and the central and sub-montane Punjab.

iv) There were transactions that were binding on both buyers and sellers provided the heap did not have more than fifty *maunds*. If the heap was bigger, the buyer could claim an allowance for inferior quality. If the seller refused to comply the transaction stood cancelled. This was prevalent in the markets of the canal colonies, and the western and central Punjab. The binding power was not in the interest of the agriculturist as he had to make greater allowance.

For the basis of the sale the produce was subject to deductions on account of impurity content, milling quality and moisture. The first and the last factors were judged by ordinary visual examination and feel, while the milling quality was judged by the protein and gluten content. The basis of sale was cleaned wheat. That part of the heap which had impurities was sifted and winnowed to separate wheat from the chaff.

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71 For greater detail see Chapter Four above.

In some markets *karda*, or deductions in kind payable by the seller in order to compensate the buyer for loss in weight on account of impurities, driage etc. was charged while in others extra weight of grains was charged.\(^7^3\)

**IV**

Broadly, there were two kinds of weights, locally known as *kacha* and *pacca*. The *pacca* weights, also termed as Railway or Bengal *seer*, were the standard 80-tola *seer*. In these a *maund* equalled 82 2/7 lbs., and a *seer* weighed from eighty-five to one hundred and five *tolas*. These *pacca* weights were used in the markets of the canal-irrigated areas and some districts of central Punjab. In the northern and western Punjab the *pacca* weights were of a higher denomination. For example, in Mianwali a *seer* equalled hundred *tolas* while in Rawalpindi it equalled ninety *tolas*. In these tracts the eighty *tola seer* was known as a *kacha seer*.

The *kacha* weights, lighter than the standard Railway or Bengal weight, were used in villages and the markets of central Punjab where the *kacha seer* equalled thirty-two *tolas*. Its use put the seller at a gross disadvantage as he was often underpaid. There were large variations in *kacha* weights in use not only in different villages and in different markets, but also in the same village and the same household. With such faulty weights it

\(^{73}\) In Lahore *karda* was fixed at 1 per cent, while in other markets it varied from 1/4 *seer* to 1 1/4 *seer* per bag of 2.5 *maunds*. It varied from Re. 0-2-6 at Gujranwala to Rs 2 per hundred at Leiah. It was common in the markets of Ambala, Rohtak, Jullundur, Ludhiana, Gurdaspur, Abohar, Fazilka, Multan, Sheikhupura, Jhang, Sargodha, Lyallpur and Gojra. L.R Dawar *Market Practices in the Punjab*, 58.
was very difficult for the grower to ascertain the exact quantity that he had tendered for sale in the market. The conversion of \textit{kacha} weights into the equivalent Railway weight was 'a near impossible task' for the illiterate villager.\footnote{Report on the Marketing of Wheat in the Punjab, 284-85.}

The weights made of cast iron were manufactured in foundaries at Agra, Kanpur and Phagwara.\footnote{The weights bore the moon and star shape. The heavier weights were rectangular. In Dera Ghazi Khan metallic weights were made for smaller denominations while bigger denominations were made of stone. The five \textit{seer} denomination was the standard in all markets. Fifty-eight per cent were incorrect, while forty-three per cent were underweight. Phagwara weights were in greater demand because they were cheaper. W.H. Myles, \textit{Conditions of Weights and Measures in the Punjab}, BOEI, Publication No. 42, 1936, 72. Also, B.B. Mukherjee, \textit{Agricultural Marketing in India}.} These foundaries did not pay much attention to quality of the material used. The weights from the same mould varied considerably with every smelting. It was also noticed that there was a tendency for weights of five \textit{seers} to forty \textit{seers} to be overweight and for the smaller ones to be underweight.\footnote{B.B. Mukherjee, \textit{Agricultural Marketing in India}, 123.} Wolverton weights manufactured abroad were on sale at Lahore. Despite their superiority they were not widely used.\footnote{Report on the Marketing of Wheat in the Punjab, 286.}

The Municipal Act of 1911 provided for checking of weights and standards kept by municipalities. The Government of India appointed a committee to investigate the subject of diversity in 1913. The committee recommended that the \textit{maund} of 82 2/7...
lbs. should be declared the standard weight. However, no action was taken. In 1915 the Siberrand Committee recommended the adoption of a uniform system of weights for India based on the 180 grain tola. The model by-laws of 1923 defined standard weights and measures. But very few municipalities in the Punjab made attempts to enforce the checking of weights. The Indian Merchants Association was started in Lyallpur in the 1920s to settle disputes regarding weights and measures. In the 1930s the accuracy of weights was checked and it was found that only fifty-four, fifty-five and forty-one per cent of the stamped weights were correct in the factories, cities and villages respectively. Thus roughly fifty per cent of the stamped weights in the Punjab were incorrect. It was also found that of the unstamped weights in the mandis, cities and villages respectively, eighty-three, ninety-six and ninety-four per cent, were incorrect. According to the Standard of Weights Act of 1941, the following weights were adopted in the Punjab as standard weights.

<table>
<thead>
<tr>
<th>Standard tola</th>
<th>180 standard grains</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard seer</td>
<td>80 tolas or 14,400 grains</td>
</tr>
<tr>
<td>Standard maund</td>
<td>40 standard seers</td>
</tr>
<tr>
<td>Standard pound</td>
<td>7,000 standard grains</td>
</tr>
<tr>
<td>Standard ounce</td>
<td>1/16 of a pound</td>
</tr>
<tr>
<td>Standard hundred weight</td>
<td>112 standard pounds</td>
</tr>
<tr>
<td>Standard ton</td>
<td>2,240 standard pounds</td>
</tr>
</tbody>
</table>


78 *Royal Commission on Agriculture Punjab 1927*, 396.
Notwithstanding the attempts at standardization, there remained a great diversity in weights and measures and this further complicated the problem of marketing. The weights were made of sticks, stones, bricks and bits of old iron in the villages. A seer could range from thirty-one to 102 tolas (one tola was equal to ten grams), and a paseri (five seers) could actually range from five to nine standard seers. In the Jhelum district, six different measures for selling and buying grain were prevalent within an area of sixty square miles. The inquiry into the weights used in the mandis of the Punjab conducted by the Board of Economic Inquiry in the 1930s revealed that only fifty-one per cent of the stamped and twelve per cent of the unstamped weights were correct. As regards scales, only one in three was accurate. Besides, various devices were adopted to increase the profit of the traders even when standard and stamped weights were used. The shopkeepers inserted lead into the hollows which were found at the bottom. Moreover, a shopkeeper admitted that he used the heavy weight when he was purchasing commodities like wheat or gur from the womenfolk of the cultivators or if he were weighing produce in exchange for which customers wished to purchase other goods from him.

The measures varied even more than the weights. A topa was widely used in the

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83 Royal Commission on Agriculture Punjab 1927, 396. Also see, Report on the Marketing of Wheat in India, 94.

Punjab but it varied greatly in different regions. M.L. Darling points out that cheating was facilitated by the substitution of an iron *topa* for a wooden *topa*. The bottom of the *topa* could be manipulated with and when pressed inwards it weighed one *chhatak* less.

The Royal Commission on Agriculture dealt with the question of disputes arising from fraudulent or faulty weighing and suggested that each market should have a weighbridge installed with suitable arrangements for its use. The cultivator could weigh his cartload of produce and also his cart when emptied and be given a certificate of these weighments free of charge, which all parties doing business in that market, should accept as final. In case of disputes regarding surplus, checking was to be done on a beam-scale called *dharm kanda* which was to be provided along side the weighbridge. The Amritsar market was the first to install a beam-scale.

In most of the Punjab markets, the buyer checked ten per cent of the total number of bags at random, then weighed them on a platform scale. If the grain was deficient the average deficiency per bag was multiplied by the total number of bags. The total deficiency arrived at was then increased by a quarter or more according to local practice. The seller generally had to make up the deficiency. This was done to penalize deficient weighing but it was unfair to the seller. If the contents were overweight the seller had to

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85 In the western and central Punjab districts one *topa* equalled to about 1 3/4 to two *seers* while four *topas* equalled one *pai*. *Report on the Marketing of Wheat in the Punjab*, 287. Also *DG Ferozepur 1915*, 202. A list of different systems of measures in different districts of the Punjab is given in Appendix K.

give it to the buyer at no extra cost except at Jullundur and Hoshiarpur.

When the goods were sent by the railway, the sender had to fill a goods consignment note giving the number of bags, their weight and description. If the consignment was of a moderate size ten per cent of the bags were weighed but if the consignment was large the whole wagon was weighed on a weighbridge. No check however was made after weighing at the station of destination except in cases of doubt or disputes regarding damage and freight charges. 87

Ordinarily, hand scales were used throughout the Punjab, the unit of weights being five *seers*. The pans of a hand scale were made of leather or iron. The pans of the beam scales which were used for weighing larger bags consisted of slabs of wood hung to the beam by means of stout iron chains. Most of these were defective and the beam scales could easily be manipulated. 88 The hand scales were preferred because the dust and dirt could be sifted. The platform scale could not be understood by the rural folk. The supposed intricacy of its machinery and the idea that the slightest incorrectness in its weights made greater differences than other scales did not permit its widespread use. Moreover, it was not favoured by the *artia* or the grain dealers as the cartload could

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87 To cite an example of the Lyallpur district, where if the grain was overweight, no allowance was given, and if the grain was deficient the seller had to make up the loss if the deficiency was upto 8 *chhataks* per bag. If the deficiency was greater the deficiency plus 25 per cent penalty was charged. I.D. Mahendru, *Some Factors Affecting the Price of Wheat in the Punjab*, 31-32.

invariably lead to adulteration and fraud.\textsuperscript{89}

On the whole, proper weighing did not become a habit with the cultivator. An enquiry conducted in the 1930s revealed that only forty-two per cent of the cultivators weighed their produce before leaving for the market; thirteen per cent measured it with a traditional device; while forty-five per cent did neither. An investigator at Montgomery checked the weight of the produce of twelve cultivators who said they had weighed it previous to carting it to the mandi. The results showed that in all cases the cultivator had underestimated his produce by 1.25 to 6.54 per cent.\textsuperscript{90} Though the Act of 1941 made it compulsory to use standardized weights and measures, these weights were used only in the regulated markets. The interior parts of the province continued to have different denominations.\textsuperscript{91} The continued variations in weights and measures seriously hampered organized trade in the Punjab.

\section*{V}

As an economic activity of slow turnover, agriculture was dependent on financial assistance to bridge the gap between sowing and harvesting of the crop. The movement of wheat from assembling to terminal markets necessitated the provision of finance. Agriculture involved short, intermediate and long term credit: the first was required for ordinary expenses of production that were of a recurring type; the second for

\begin{footnotesize}
\textsuperscript{89} L.R. Dawar, \textit{Market Practices in the Punjab}, 51.  \\
\textsuperscript{90} Ibid., 46-48.  \\
\textsuperscript{91} Report of the Marketing Sub-Committee,74.  \\
\end{footnotesize}
periodic expenditure on the purchase of cattle and implements; and the third for non-recurring expenditure on acquiring land and property, besides the carrying out of big improvements and paying off old debts. If the credit facilities were not available, the producer was obliged to dispose off wheat soon after harvesting. To obviate this he had recourse to different agencies of finance at different levels.

At the village level, the local traders conducted a money-lending business. They advanced short term loans in cash or kind against personal security of the borrower who stipulated to repay the debt soon after the crops were harvested. This deprived the growers of the benefit of higher prices by storing the produce. The local money-lenders were apprehensive that if the crops were not sold within a short time, the money they had loaned out would be blocked. It was also possible that the peasant might sell the crop quietly to some one else like the itinerant dealers, landlords, banias, or other merchants to either spend the proceeds or repay other creditors. Moreover, the money-lenders-cum-traders themselves preferred to procure the produce at harvest time and store it so that they could derive profit from the grower as well as the consumer to whom it was eventually sold.

On an average in the Punjab the rate of interest for unsecured loans was 18.75 per cent for cash and twenty-five per cent for kind. This rate varied with the borrower’s

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92 S. A. Husain, *Agricultural Marketing in Northern India*, 158.


security. For example, a landowner with an unencumbered estate or with a good record of repayment was charged as less as six per cent, whereas an unreliable proprietor or a tenant or a farm hand was charged twenty-five to 37.5 per cent. For secured loans the rate of interest was lower. For loans against jewellery it ranged from twelve per cent to 18.75 per cent. In most places loans against the security of land were at 12 per cent.95 The peasant realized that it was better to borrow on a mortgage at a lower rate of interest and let it be known, than to pay twice the amount for doubtful advantage of keeping his land unencumbered and his debt concealed.96 This is supported by the figures of the land mortgaged in the province. From 1902-03 to 1932-33 the area mortgaged by agricultural tribes increased by fifty-four per cent.97 The Relief of Indebtedness Act of 1934 was passed by the Unionist Government to lower the rate of interest to twelve per cent simple and nine per cent compound on secured loans and eighteen per cent simple and fourteen per cent compound on unsecured loans.98

Grain loans were also fairly widespread in the Punjab. A cash loan generally doubled in three years whereas a grain loan doubled in a period of two years. For example, for one maund of grain valued at four rupees in March 1918, in the Ludhiana


97 For further detail see Table: 2.7.

the peasants were binding themselves to pay 1.75 *maunds* of wheat in June, or failing that, 3.5 *maunds* of corn in January. After World War I the practice of grain loans continued in parts of south-western and south-eastern Punjab, and the money-lenders still carried away almost all grain from the threshing floor except the bare means of subsistence. 99

The credit agencies in villages usually had small means and worked on a small scale. To meet the deficit the village trader often borrowed from the *artia*. 100 Indebtedness of the farmer to the *kacha artia* was a common feature in the Punjab. According to the general practice of the market, the farmer had to sell his next crop to the *kacha artia*. 101 For purchases that were not very large, the *kacha artia* often used his own money. However, when the purchases were large he had to often obtain cash from the *pacca artia* who also financed the *dalals* of small means. The *pacca artia* advanced loans at a rate of interest ranging from six to twelve per cent against personal security of the borrowing middlemen. 102 When he was not buying to fill his own kothas to make profit when prices rose, the *pacca artia* bought on behalf of big retail merchants or mill owners or exporters who normally transmitted funds through *hundis*. 103 When necessary,
these arias borrowed from banks.

Modern banking had begun in the Punjab towards the close of the nineteenth century. The Punjab National Bank was founded in 1895 and it was the first. The People's Bank of Lahore was opened in 1901. The Amritsar Bank, The Hindustan Bank, The Doaba Bank and Central Bank of India came up in quick succession. These banks maintained a list of approved merchants and indigenous bankers and advanced loans and fixed the credit limit after a careful scrutiny of the financial position and value assets. The banks advanced loans upto seventy-five per cent of the value of the produce against the pledge of goods deposited with them in godowns, keeping a margin of twenty-five per cent. The rate of interest varied from four to eight per cent. The banks rendering assistance against stocks were Imperial Bank of India, Lloyds Bank, Punjab National Bank, Central Bank of India, Allahabad Bank, The People's Bank, The Amritsar Bank, The Hindustan Bank, and The Doaba Bank. Only the first of these banks

the muddati hundi which was made for a specified period and the darshani hundi which had to be paid at the time of presentation. These hundis were made on plain paper or printed forms in which the borrower promised to pay the money after the stipulated time. Report on the Marketing of Wheat in the Punjab, 217.


105 The Tribune, Volume XLVII, 17th June, 1922, Lahore,10.

If the price of goods held as security fell, fresh supplies were called to recoup the shortfall and if the price increased the drawing limit was increased. K.R.
The grain trade associations for 'futures' trading also financed the storage of grain in markets like Amritsar and Lyallpur. The Amritsar wheat market was the biggest 'futures' market of India and it was the first to be governed by grain exchanges. Upto the 1930s there were two such exchanges called Amritsar Grain Produce Exchange and Amritsar Trader's Guarantee Trust Co. Limited, which financed its members or the registered buyers at reasonable rates of interest. The Amritsar Grain Trade Association advanced loans upto 30 per cent of the commodity.


111 *Census of India, 1931*, Volume XVII, Lahore, 1933, (cited hereafter as
The Cooperative Credit Societies Act of 1904 was passed to provide finance to the farmers at a lower rate of interest.\(^{112}\) It aimed at creating in each village a common fund sufficient to meet the needs of the members and to make them independent of outside borrowing.\(^{113}\) The Act of 1912 recognized non-credit forms of cooperation such as registered societies for the purchase of supplies, for the sale of produce, insurance and housing. It recognized three kinds of central societies: unions consisting of primary societies for mutual control and credit; central banks consisting partly of societies and partly of individuals and provincial banks consisting of individuals.\(^{114}\) From 1905 to 1929 the number of primary credit societies rose by four hundred per cent.\(^{115}\) The interest rate charged by these societies was seven per cent in 1915 which rose by 1935 to eight-nine per cent.

\(^{112}\) Even prior to the official inauguration of the movement, there were six societies working: one in Hoshiarpur (since 1892); three in Multan (since 1895); and two in Mianwali (since 1900). A Cooperative Handbook, 1. Also, G.R. Madan, Cooperative Movement in the Punjab, S. Chand and Co., Delhi, 1958, 1; Ata Ullah, The Cooperative Movement in the Punjab, George Allen and Unwin Ltd., London, 1937, 84, 88-89.


\(^{114}\) P.C. Bansil, Agricultural Problems of India, Vikas Publishing House, Delhi, 1977, 277-78.

During the period from 1920 to 1943 the number of agricultural societies rose from 6,831 to 20,884. In each case, these societies could advance loans up to seventy-seven per cent of the value of the crop pledged, and the interest varied from six to nine per cent.

The agricultural societies were further classified into A, B, C and D categories in accordance with their financial status and level of efficiency. As may be expected, the highest number of Class A and B societies which were financially efficient, was in the central Punjab and the canal colonies. Class C societies with varying stages of tutelage were more prominent in the sub-montane and the northern districts. Class D societies with varying stages of decay were a common feature of the western Punjab. It is worth mentioning here that nearly fifty per cent of the cooperative credit societies which came under class C obtained loans from money-lenders as well, with the greatest incidence in northern and western Punjab. In fact, the incidence of borrowing from money-lenders was not uncommon even in the canal colonies and central Punjab. It can thus be said that though the cooperative movement was started to curb the money-lender, it could do little to undo his stranglehold on the peasant. Besides cooperative societies, land mortgage

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116 Royal Commission on Agriculture Punjab 1927, 445.
118 Report on the Marketing of Rice in India, 203.
119 Census of 1931 Punjab, 53-54.
banks were also set up for debt redemption.\textsuperscript{121}

A comparative study of Lyallpur, Ferozepur and Attock districts, representing three levels of agricultural progress in terms of loans obtained and their source was made in the 1930s.\textsuperscript{122} The similarity in all three districts was the dominance of the money-lender as the biggest source of credit, though with varying percentages. In the Attock district nearly seventy-five per cent of the credit was still from the money-lender. Even Ferozepur and Lyallpur had almost the same percentage of credit from the money-lender. The landlords were also an important source of finance in the Ferozepur district, though in the Lyallpur district the loans obtained from them averaged to ten per cent only. In the Attock district, however, the borrowings from the landlords were negligent. This points to the relative economic power of the money-lender and the landlord. The cooperative movement does not seem to have achieved much even in Lyallpur. Here the cooperative societies furnished only fifteen per cent of the credit. Another fact that comes out quite clearly is the continued existence of grain loans. They were wiped out in the colony areas, but in the central and northern Punjab they still prevailed. It can thus be said that the Punjab had

\textsuperscript{121} The first land mortgage bank was registered in 1921. By 1929 there were twelve such banks in the Punjab. \textit{Report on the Working of Cooperative Societies in the Punjab 1922-23, 9;} \textit{Ibid,1929-30,9.} Also see \textit{PLCD, 1931, Volume XX,356;} \textit{Ibid,1934, Volume XXV, 358.}

\textsuperscript{122} Table 5.6: Percentage of loans obtained from different sources in the three districts.

<table>
<thead>
<tr>
<th>Sources</th>
<th>Lyallpur</th>
<th>Ferozepur</th>
<th>Attock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>Kind</td>
<td>Cash</td>
</tr>
<tr>
<td>Money-lender</td>
<td>28.8</td>
<td>-</td>
<td>27.2</td>
</tr>
<tr>
<td>Coop. Societies</td>
<td>15</td>
<td>-</td>
<td>10.8</td>
</tr>
<tr>
<td>Arita</td>
<td>15.6</td>
<td>-</td>
<td>21.5</td>
</tr>
<tr>
<td>Landlord</td>
<td>10.2</td>
<td>-</td>
<td>36.8</td>
</tr>
<tr>
<td>Relatives</td>
<td>9.7</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>20.7</td>
<td>-</td>
<td>1.7</td>
</tr>
</tbody>
</table>

different scales of development, with the highest in the canal colonies and the lowest in the peripheral areas which resulted in inter-regional or intra-provincial disparities.